

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIE-00 INRE-00 SSO-00 NSCE-00 IO-10 SAM-01

SAJ-01 EB-07 COME-00 TRSE-00 OMB-01 FRB-01 CIEP-01

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 1273

INFO AMEMBASSY MADRID

C O N F I D E N T I A L LISBON 5539

E.O. 11652: GDS

TAGS: PINT PO

SUBJ: POLITICAL CRISIS UNDERWAY

SUMMARY: THERE IS POLITICAL CRISIS UNDERWAY IN PORTUGAL SPARKED BY PM'S UNILATERAL DECISION IN ORDERING ARREST OF BUSINESSMEN LAST FRIDAY AND TAKING PLACE IN CONTEXT OF DISPUTE OVER PROPOSED ECONOMIC PLAN. SOME EVIDENCE SUGGESTS THAT COMMUNIST PARTY MAY BE CHANGING MODERATE LINE IN FACE OF EXPECTED DEFEAT AT POLLS AND NOW IS QUIETLY ATTEMPTING TO CREATE ECONOMIC CONDITIONS WHICH WILL FORCE POSTPONEMENT OF ELECTIONS. THERE COULD BE MOVE TO REMOVE PRIME MINISTER GONCALVES AS SOON AS TODAY. END SUMMARY.

1. EMBASSY SOURCES ACROSS THE BOARD HAVE CONFIRMED THAT THERE IS A MAJOR POLITICAL CRISIS UNDERWAY IN PORTUGAL. GONCALVES' ACTION IN ORDERING ARRESTS OF BUSINESSMEN (SEPTTEL) WITHOUT INFORMING CABINET HAS ESTRANGED CABINET MEMBERS (EXCEPT CUNHAL) AND MOST ESPECIALLY HAS ANGERED ANTUNES AND ALVES, KEY AFM FIGURES IN CABINET.

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2. FOUR EVENTS HAVE LED TO CRISIS. FIRST, WE UNDERSTAND

THAT GONCALVES REJECTED NEW ECONOMIC PROGRAM CONCEIVED UNDER ANTUNES DIRECTION AS "TOO CONSERVATIVE". SECOND, THE UNILATERAL ORDER FOR BUSINESSMEN'S ARREST. THIRD, REJECTION OF THE DRAFT PRESS LAW AT THE REQUEST OF CUNHAL AND ACCEPTANCE OF CUNHAL'S DEMAND THAT AD HOC PRESS COMMISSION BE INCLUDED AS PART OF NEW LAW. FOURTH, GONCALVES' ACCEPTANCE OF CUNHAL'S DEMAND THAT UNIVERSITIES BE CLOSED DOWN.

3. ANTI-GONCALVES OBSERVERS ARE PESSIMISTIC ABOUT THE POSSIBILITY OF FORCING GONCALVES OUT. THEY NOTE THAT GONCALVES' PERSONALITY IS NOT SUCH THAT HE WOULD MAKE GRACEFUL EXIT. ALL SIDES HAVE A STRONG DESIRE NOT TO GET INTO OPEN FIGHT WITH GONCALVES AND HIS COMMUNIST AND MDP SUPPORTERS. NEVERTHELESS, THERE IS APPARENTLY STRONG SUPPORT IN CABINET FOR GONCALVES' OUSTER INCLUDING ALVES, ANTUNES, BRAS, ALMEIDA SANTOS AND VERY PROBABLY SOCIALISTS AND PPD.

4. AS WE SEE IT, A SUCCESSFUL MOVE AGAINST GONCALVES WILL HAVE TO BE LED BY ANTUNES, AND ALVES, WITH AFM SUPPORT AND WITH CONCURRENCE OF COPCON HEAD CARVALHO. THESE THREE, WHO HAVE NOT ALWAYS SEEN EYE TO EYE IN PAST, ARE NOW REPORTED TO BE CONVINCED OF NECESSITY OF WORKING TOGETHER. WE EXPECT PRESIDENT TO REMAIN ON SIDELINES WITH PERHAPS HIDDEN ROLE BUT CERTAINLY NO VISIBLE ROLE UNTIL ISSUE HAS CLEARLY BEEN DECIDED AND HE CAN JOIN WINNERS.

5. WILLINGNESS OF COMMUNISTS TO MOVE AT THIS TIME IS SURPRISING AND PUZZLING AS THEY MUST HAVE KNOWN THAT IT WOULD STIMULATE A STRONG REACTION. OVER THE WEEKEND CUNHAL MADE ONE OF HIS TOUGHEST STATEMENTS AND CAME OUT IN FAVOR OF NATIONALIZING THE BANKS. THIS BEING INTERPRETED AS ANOTHER GESTURE BY COMMUNISTS TO DESTROY CONFIDENCE IN ECONOMY IN ORDER TO CREATE THE ECONOMIC CONDITIONS WHICH WILL MAKE A CANCELLATION OF ELECTIONS PLAUSIBLE. COMMUNISTS MAY NOW BE CONVINCED THAT THEIR ELECTORAL SUPPORT IS EBBING WITH TIME RATHER THAN FLOWING AND THAT THEIR BEST BET IS TO POSTPONE ELECTIONS AS LONG AS POSSIBLE AND CONTINUE THEIR EFFORTS TO WORM INTO THE FABRIC OF PORTUGUESE SOCIETY.

6. CABINET IS MEETING NOW AND THERE IS CONSIDERABLE SPECULATION
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AMONG LOCAL ELITES THAT AN EFFORT MAY BE MADE AS SOON AS TODAY TO PUSH GONCALVES OUT. NEVERTHELESS, WE WOULD CAUTION THAT CRISES OF THIS NATURE HAVE A TENDENCY TO PETER OUT WITH NO CLEARCUT RESOLUTION.
SCOTT

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